

Message Text

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ACTION EA-09

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E.O. 11652: NA
ECON, EFIN, ELAB, CH
SUBJECT: PRC MINISTERIES IMPLY LIMITS ON MATERIAL INCENTIVES

1. SUMMARY: TWO ARTICLES IN THE DECEMBER 15 PEOPLE'S DAILY
BY CRITICISM GROUPS IN THE MINISTRY OF FINANCE AND THE
STATE CAPITAL CONSTRUCTION COMMISSION ARGUE AGAINST
ELEVATING POPULAR CONSUMPTION (MATERIAL INCENTIVES) TO
A POINT WHERE ECONOMIC GROWTH WILL SUFFER AND POINT OUT
THE IMPORTANCE OF CAPITAL ACCUMULATION TO THE ACHIEVEMENT
OF CHINA'S MODERNIZATION GOALS. END SUMMARY

2. ARTICLES BY CRITICISM GROUPS IN THE FINANCE MINISTRY
AND THE STATE CAPITAL CONSUTRUCTION COMMISSION (SCCC) LEAD
OFF WITH CRITICISM OF THE "GANG OF FOUR" FOR ATTEMPTING
TO EXHAUSET CHINA'S FINANCES IN ORDER TO DISRUPT THE
ECONOMY AND SEIZE POSER. THE "GANG" IS ACCUSED OF HAVING
MALICIOUSLY CHARGED ENTERPRISES THAT SEEK TO ACCUMULATE
CAPITAL FOR THE STATE WITH "ECONOMISM" AND "PUTTING
PROFIT IN COMMAND". THE FINANCE MINISTRY STATES THAT
THE FOUR WANTED TO "CREATE FINANCIAL DIFFICULTIES FOR
THE STATE AND DEplete MARKET SUPPLY SO AS TO EXCITE
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DISCONTENT AMONG THE PEOPLE, UNDERMINE THE RELATIONS
BETWEEN THE PARTY AND THE MASSES AND DISRUPT THE
WORKER-PEASANT ALLAINCE".

3. THE ARTICLES DEFEND ENTERPRIZE PROFITABILITY AS
THE ONLY WAY TT ENSURE ECONOMIC DEVELOPEMTN AND REALIZA-

TION TS THE "FOPD MODERNIZATIONS". THE SCCC STATES:
"IF A SOCIALIST ENTERPRIZE DOES NOT GRASP REVOLUTION AND
PROMOTE PRODUCTION, IF IT CONSUMES MORE THAN IT PRODUCES,
THEN IT WILL NOT ONLY FAIL TO ATTAIN A SURPLUS, BUT ALSO
CONSUME THE RESOURCES OF SOCIALSIT ACCUMULATION. THIS
TYPE OF ENTERPRISE WILL HOLD BACK THE SOCIALIST ECONOMY
AND DAMAGE THE PROLETARIAN REVOLUTION. IT CONTINUES THAT
SOCIALIST ENTERPRISE MUST "ENDEAVOR TO RAISE WORKER
PRODUCTIVITY, CONSUME AS LITTLE AS POSSIBLE WHILE
CREATING AS MUCH MATERIAL WEALTH AS POSSIBLE IN
ORDER TO INCREASE PROFIT FOR THE STATE".

4. IN CALLING FOR INCREASED ACCUMULATION, THESE ARTICLES
ARGUE IMPLICITLY THAT ANY INCREASES IN POPULAR CONSUMPTION
THROUGH INCREASED MATERIAL INCENTIVES SHOULD BE REWARDS
FOR RELATIVELY GREATER PRODUCTIVITY INCREASES OR, AT
MINIMUM LEAD TO SUCH INCREASES. ONLY IN THIS WAY CAN
A DEPLETION OF MARKET SUPPLY BE AVOIDED.

5. COMMENT: CHINA'S NEW POST-MAO LEADERSHIP APPEARS
TO BE ATTEMPTING TO HEAD OFF OR AT LEAST RESTRAIN
EXPECTATIONS OF GREATELY INCREASED MATERIAL INCENTIVES.
THE RELATIVE ABSENCE OF REFERENCES TO SUCH CODE PHRASES
AS "IMPROVING THE WORKERS" LIVELIHOOD" IN RECENT CENTRAL
LEADERSHIP PRONOUNCEMENTS LENDS SUPPORT TO THIS VIEW.
THE GOVERNMENT'S PROBLEMS IS TO RAISE WORKER MORALE AND
PRODUCTIVITY AT AS LITTLE MATERIAL COST AS POSSIBLE.
IN BUILDING THE CASE FOR INCREASED ACCUMULATION AND RESTRAINED
CONSUMPTION, THE HUA REGIME IS COMPLETELY IN LINE
WITH TRADITIONALLY CONSERVATIVE AND NON-INFLATIONARY
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PRC FISCAL PRATICE, WHICH HAS TIED EXPANSION OF
THE MONEY SUPPLY TO INCREASED AVAILABILITY OF GOODS.CROSS

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